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Utilization Of Funds
By The
Kansas Human Needs Corporation,
Kansas City, Kansas B-130515

Office of Economic Opportunity

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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OCT. 27. 1971



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-130515

Dear Senator Dole:

Pursuant to your request of May 24, 1971, we have examined the use of funds provided by the Office of Economic Opportunity (OEO) to the Kansas Human Needs Corporation and have inquired into other Federal funds obtained by Mr. Manuel Fierro, the executive secretary of the corporation.

We reviewed pertinent records and held discussions with officials of the corporation and the Salina Community Action Council, Inc., a delegate agency of the corporation. Our review of the corporation was made at several locations because of the dispersion of activities. Mr. Fierro was interviewed at his apartment in Garden City, Kansas, which served as his base of operations. The president of the corporation was in Kansas City, Kansas; the treasurer of the corporation was in Parsons, Kansas; the corporation's books were maintained by a certified public accounting firm in Topeka, Kansas; and the headquarters of the council is in Salina, Kansas. We also reviewed records at, and held discussions with officials of, the headquarters' offices of OEO and the Department of Health, Education, and Welfare and the agencies' Kansas City Regional Offices. Our fieldwork was completed in August 1971.

OEO, under its Emergency Food and Medical Services program, awarded grants of \$84,000 to the corporation, a private, nonprofit corporation chartered by the State of Kansas. A grant of \$70,000 was awarded in June 1970, and a supplementary grant of \$14,000 was awarded in April 1971. The grant agreement provided that \$19,872 be contributed as the non-Federal share of the total program costs. OEO regulations state that the non-Federal share may be cash or in-kind contributions, such as donated personnel time and office space.

The stated objectives of the grant were:

1. "**** to document and publicize the existence and extent of hunger and malnutrition in the State of Kansas,

2. "to develop food programs where they do not exist and to improve the delivery of existing programs in Kansas, and
3. "to develop a pilot project in Saline, McPherson and Dickinson Counties to develop models of effective action, and show that barriers to adequate nutrition can be broken and participation in U.S. Department of Agriculture programs can be increased."

To carry out the third objective, a delegate agency, Salina Community Action Council, Inc., of Salina was established by the corporation and was given responsibility for administering the pilot project in these three counties in central Kansas which were not being served by Community Action Agencies. The corporation transferred \$58,122 of its Federal funds and the requirement for obtaining in-kind contributions to its delegate agency, the council. The council had provided in-kind contributions of \$17,000 through June 30, 1971. The corporation budgeted the remaining \$25,878 of the OEO grant for the purpose of paying the salary and travel expenses of its executive secretary and the cost of a documentary film.

The OEO grants were for 1 program year ended August 31, 1971. According to officials of the OEO Kansas City Regional Office, OEO will make no further grants to the corporation because the first two objectives of the grant will have been met by the end of the program year but plans to make a grant of \$60,000 to the council to extend the pilot project through June 1972.

The corporation also received \$5,000 from an OEO-funded Community Action Agency in Bakersfield, California, for use in purchasing food for migrants in western Kansas. The corporation delegated this activity to the Kansas Council of Agricultural Workers and Low-Income Families, Inc. (Agricultural Workers), which the executive secretary of the

B-130515

corporation was instrumental in organizing, and earmarked the \$5,000 for use by this organization. (See p. 8.)

KANSAS HUMAN NEEDS CORPORATION

The nonsalaried officers of the corporation are a president, a vice president, a secretary, and a treasurer. The executive secretary, Mr. Fierro, is the only full-time staff member. His salary (at an annual rate of \$9,600 through January 31, 1971, and \$10,560 thereafter) and travel expenses have been paid from grant funds.

The corporation hired an executive secretary pursuant to recommendations made by OEO field operations personnel and consultants, who believed that operating the corporation solely with volunteer services would not adequately ensure completion of the program. Mr. Fierro, who was appointed in October 1970, was the second person to fill the position of executive secretary.

Through June 15, 1971, the latest posting in the books of account, the corporation had spent about \$23,000 of \$25,878 budgeted for its operations. Appendix I includes a schedule of the corporation's expenditures.

The corporation completed a 35-minute, black-and-white film documentary which illustrated the living conditions of Mexican-Americans in western Kansas. The film shows evidence of hunger and problems of health, housing, employment, education, etc., in a 20-county area in western Kansas. The budget did not permit coverage of the whole State. The corporation found the needs greater in western Kansas because that part of the State lacked resources that were available in the eastern part of the State to combat these problems. Mr. Fierro told us that he and his wife had written the script and had edited the film and that a Washington, D.C., firm (Welby A. Smith, Jr., and E. Grayson Mattingly of 5207 Canterbury Way, Temple Hills, Maryland) had done the technical production.

We viewed the film, along with OEO officials, on July 27, 1971. Mr. Fierro, who showed the film, explained that the film dealt with the basic problems of education, medical resources, welfare agencies' not reaching people, and difficulties in obtaining employment and housing. An OEO official stated that, although the film documentary was within the scope of the grant, he was of the opinion that it should have focused more on food and medical needs of migrants. The grant objectives limited the film's scope to hunger and malnutrition.

Mr. Fierro told us that another activity of the corporation was advising low-income families in western Kansas of their rights and eligibility for the Department of Agriculture's school lunch programs and food stamp programs. The corporation also filed complaints with the Department of Agriculture and with State agencies because of the way in which some of the food programs had been administered by certain counties.

Most of the corporation's travel was done by Mr. Fierro whose travel expenses through June 15, 1971, amounted to \$5,050. Included in this amount are the costs of his airline tickets for three flights to Washington, D.C.; one flight to Salt Lake City, Utah; and one flight to San Jose, California. According to Mr. Fierro, the trips to Washington were for the purpose of film editing and consultations with Federal officials relating to securing grants for migrant workers and the trips to Salt Lake City and San Jose were to attend conferences sponsored by OEO. OEO officials said that they had no objections to Mr. Fierro's use of grant funds for his trips relative to OEO activities outside of Kansas.

Our examination of \$21,449 of the \$23,021 expended through June 15, 1971, showed that:

1. As of October 8, 1971, Mr. Fierro had not submitted supporting documentation, contrary to OEO requirements, for most of his travel. From October 1970 when he was appointed through March 1971, Mr. Fierro was advanced funds monthly for travel within the State. These advances were supported by required

travel authorizations outlining the proposed itinerary, trip purposes, estimated per diem allowance, and estimated mileage. Mr. Fierro, however, did not submit the required vouchers at monthend showing actual travel costs to liquidate the advances. In April and May he submitted travel vouchers, but these did not show the odometer readings for mileage claimed or the days covered by the per diem allowances claimed. Under OEO regulations, the corporation has 90 days after termination of its grant to submit reports on its operations. The corporation should have all vouchers on hand to support its expenditures by November 30, 1971. Mr. Fierro's travel expenditures are shown in greater detail on page 2 of appendix I.

2. In some instances payments to vendors were not supported by vendors' invoices. Such payments included \$316 for hauling a General Services Administration surplus mobile dental unit for use in the health program, a telephone bill of \$306, a \$27 battery for a truck used in the program, and \$20 for office supplies.

We discussed the above items with the corporation's president who said that he would contact Mr. Fierro and would have him submit the documentation. We discussed the above items also with the OEO Regional Auditor who initiated a previously planned final audit of the grantee on August 4, 1971.

Mr. Fierro acknowledged that additional documentation was needed to support his travel expenses. He stated that he had made additional trips to Washington, D.C., to assist in obtaining Federal funds for the Agricultural Workers. He said that these trips had been paid for by others; for example, by a private firm which has contracts with OEO for consulting services and by a national policy advisory group to the Department of Health, Education, and Welfare.

SALINA COMMUNITY ACTION COUNCIL, INC.

The council received Federal funds of \$58,122 from the corporation to operate the pilot project in the three counties--Saline, McPherson, and Dickinson. The council's paid

B-130515

staff consisted of a director, a secretary, six outreach workers to contact needy persons (two for each of the three counties), and three part-time clerical workers.

Because the main thrust of the project was to advise low-income persons to take advantage of available food programs, most of the program funds were spent for salaries and travel. Payments for travel expenses were made to outreach workers, to low-income advisory board members, and to the director and his secretary. Appendix I includes a schedule of these expenditures.

We were informed by the director that the council's efforts had been directed to:

1. Increased participation in Department of Agriculture's food stamp program

In all three counties the outreach workers have contacted low-income families to determine whether they are having any food or medical problems. The council's program participant reports for the period July 1, 1970, through May 28, 1971, showed that 3,066 participants had been contacted--177 Mexican-Americans, nine Puerto Ricans, nine American Indians, 326 blacks, 2,520 whites, and 25 persons of other ethnic groups. The council had not made follow-ups to determine the effectiveness of these contacts.

The council's efforts to improve participation in the food stamp program included (1) informing low-income families of the program and urging them to take advantage of it if eligible, (2) providing transportation for needy persons, and (3) seeing that the food stamp law was being interpreted correctly by county welfare departments which distribute the food stamps.

2. Expansion of Department of Agriculture's free and reduced-rate school lunch programs

The director told us that he had obtained policy statements from each school district pertaining to the operation

of its school lunch program and had informed the school districts where, in his opinion, the school lunch law had been incorrectly applied. He said that, in some instances, he planned to institute legal proceedings if no action was taken by the school board to correctly apply the law.

Illustrative of the type of work done by the council was its action to expand the school lunch program in the Salina School District. The program was available at six public schools. The board of education, after discussion with the council, agreed to expand the school lunch programs to three additional elementary schools located in low-income areas. The board of education stated that it lacked the funds for school lunch programs in 11 other elementary schools in the district.

The director disagreed with the board on this latter point and contended that all eligible children could receive free or reduced-rate lunches if the board adopted the Cup-Can Program which provides heated, canned meals to children. The board of education did not agree with the director on the efficacy of the Cup-Can Program.

3. Establishment of Department of Agriculture's supplementary feeding program

The director stated that the council had been instrumental in obtaining lunch programs for children under this program. As an example of the result of the council's work, he said that the Salina Recreation Commission had initiated a program to provide lunches to low-income children during the summer at recreation areas and that the Salvation Army had started a supplementary feeding program for children from low-income families in Salina.

REVIEW OF FINANCIAL TRANSACTIONS

Our selective tests of the council's financial transactions showed that (1) the program costs shown in the council's monthly financial reports to the corporation had been overstated by about \$2,200 because of accounting errors, such as

including an estimated expense as an actual expense,¹ (2) personnel actions such as a notification of appointment or of a salary increase, had not been documented and justified, and (3) employee time and attendance records were incomplete in some cases.

We discussed these matters with the OEO Regional Auditor and with council personnel who said that corrective action would be taken.

KANSAS COUNCIL OF AGRICULTURAL
WORKERS AND LOW-INCOME FAMILIES, INC.

Mr. Fierro told us that the corporation received \$5,000 in June 1971 from the Target Community Citizens Anti-Poverty Council, an OEO-funded Community Action Agency in Bakersfield, California, to provide food to migrant workers as part of its activities under the Emergency Food and Medical Services program. As of July 20, 1971, these funds had not been recorded in the corporation's books. Mr. Fierro told us also that the money had been deposited in the corporation's Garden City bank account. An official of the bank confirmed that the deposit had been made in the corporation's account in June 1971. Corporation officials stated that the funds would be recorded.

According to Mr. Fierro the corporation delegated the tasks of contacting needy migrant and low-income families and dispensing funds for the direct purchase of food under this program to the Agricultural Workers of Garden City, a non-profit corporation incorporated in February 1971.

The purposes of the Agricultural Workers, as stated in the articles of incorporation, are:

¹The last monthly report containing this overstatement was dated June 23, 1971. The data shown in appendix I is as of June 30, 1971, and is based on actual disbursements shown on the records as of that date.

"To promote the improvement of living standards for migrant and low-income families, including but not limited to agricultural workers and Mexican-Americans through Federal and non-Federal programs, research, and policies designed to alleviate problems and hardships;

**** to receive and accept funds and grants from the Federal Government and all other available sources, public and private, including funds available under the Economic Opportunity Act of 1964, and any amendments thereto;

"to enter into agreements and contracts and expend funds to carry out the above purposes;

"and generally to exercise any and all powers and to do and perform any and all things properly connected with or incidental to all activities as are hereinbefore specifically or generally designated."

Mr. Fierro stated that he was neither an officer nor a director of the Agricultural Workers but was an advisor and that he had helped this organization to obtain other Federal funds.

Mr. Fierro gave us a list of Federal grants that he had obtained or was in the process of obtaining for the Agricultural Workers. Appendix II is a listing of the grants, showing the status as of July 1971.

Mr. Fierro and officials of OEO, the corporation, the council, and the Agricultural Workers have not been given an opportunity to formally examine and comment on the contents of this report.

B-130515

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of this report.

Sincerely yours,

A handwritten signature in cursive script, reading "James P. Stacks". The signature is written in black ink and is positioned below the typed name.

Comptroller General
of the United States

The Honorable Robert J. Dole
United States Senate

STATEMENT OF PROGRAM EXPENDITURES OF
KANSAS HUMAN NEEDS CORPORATION AND
ITS DELEGATE AGENCY, SALINA COMMUNITY ACTION COUNCIL

<u>Program expenditures</u>	The corporation (through June 15, 1971)	The council (through June 30, 1971)	<u>Total</u>
Personnel	\$ 9,361.28 ^a	\$48,089.63	\$57,450.91
Consultants and con- tract service	4,267.00 ^b	483.00	4,750.00
Travel	6,628.23 ^c	7,725.37	14,353.60
Space costs and rental	-	4,752.26	4,752.26
Consumable supplies	199.89	1,649.74	1,849.63
Equipment	342.89	1,630.57	1,973.46
Other costs	<u>2,221.87</u>	<u>3,238.47</u>	<u>5,460.34</u>
Total	<u>\$23,021.16</u>	<u>\$67,569.04</u>	<u>\$90,590.20</u>
Federal grants	\$23,021.16	\$50,207.18	\$73,228.34
Non-Federal (in-kind) contributions	<u>-</u>	<u>17,361.86</u>	<u>17,361.86</u>
Total	<u>\$23,021.16</u>	<u>\$67,569.04</u>	<u>\$90,590.20</u>

^aExecutive secretaries' salaries.

^bIncludes \$3,364 for producing the documentary film.

^c\$5,050 of the \$6,628.23 was for travel by Mr. Fierro. A schedule showing the details of Mr. Fierro's travel expenditures is shown on page 2 of appendix I.

STATEMENT OF MR. FIERRO'S
TRAVEL EXPENDITURES
THROUGH JUNE 15, 1971

<u>Type of expenditures</u>	<u>Total</u>	<u>Supported by vouchers</u>	<u>No vouchers</u>
Local travel	\$1,614	\$ 380	\$1,234
Per diem	1,906	325	1,581
Air fare	1,180	670	510
Unidentified	<u>350^a</u>	<u>-</u>	<u>350</u>
Total	<u>\$5,050</u>	<u>\$1,375</u>	<u>\$3,675</u>

^aOnly documentation available is a notation on a check stub that the funds were advanced for travel.

Note: Of the \$5,050 expended for travel, we identified a total of \$3,604 of travel funds that were obtained by Mr. Fierro by a request for an advance of travel funds. Also travel authorizations for Mr. Fierro were on file for \$3,399 of the \$5,050 in travel expenditures.

FEDERAL GRANTS APPROVED OR BEING PROCESSED FOR
 KANSAS COUNCIL OF AGRICULTURAL WORKERS
 AND LOW-INCOME FAMILIES, INC.

	<u>Amount of grant</u>
1. <u>Department of Health, Education, and Welfare Office of Child Development</u>	
<u>Full-year Head Start program</u>	\$110,616
Purpose of grant--To operate Head Start classes for 100 children in Goodland, Leoti, Ulysses, and Garden City for the 9-month period September 1971 through May 1972.	
Status of grant--The Kansas City Regional Office of HEW's Office of Child Development awarded the grant on June 11, 1971, but the funds had not been made available to the grantee as of the completion of our fieldwork in August.	
<u>Health Start program</u>	25,000
Purpose of grant--To provide examinations and follow-ups on medical, dental, vision, and hearing problems for 100 migrant children; to introduce the families to health care opportunities, and to make the professionals aware of the health problems of migrant workers.	
Status of grant--Although this grant also was approved by the Kansas City Regional Office of HEW's Office of Child Development on June 11, 1971, no payments had been made as of the completion of our review in August 1971.	

	<u>Amount of grant</u>
<u>Summer Migrant Head Start program</u>	\$ 33,367
<p>Purpose of grant--To provide Head Start service for 120 migrant children.</p> <p>Status of grant--This grant was processed and approved by the Office of Child Development, Washington, D.C. The first payment under the grant was made on July 29, 1971.</p>	
<u>Supplementary Head Start Training</u>	45,373
<p>Purpose of grant--To instruct Head Start staff members. The funds go directly to the Kansas State Teachers College at Emporia.</p> <p>Status of grant--The grant was processed by the Office of Child Development, Washington, D.C., and was approved on May 21, 1971.</p>	
<p>2. <u>Department of Health, Education, and Welfare Public Health Service</u></p>	
<u>Kansas Regional Medical Program</u>	12,000
<p>Purpose of grant--Most of the funds will be used to pay nurses' salaries at a clinic in western Kansas.</p> <p>Status of grant--The Kansas Regional Medical Program was in the process of negotiating with the Agricultural Workers on a fiscal year 1971 grant of \$12,000 for a 6-month program.</p>	
<p>3. <u>Office of Economic Opportunity</u></p>	
<u>Grant for central administrative staff</u>	49,500
<p>Purpose of grant--To provide full-time administrative staff for the Agricultural</p>	

Amount
of grant

Workers. This staff will be responsible for the administrative coordination, planning, conduct, and evaluation of all programs.

Status of grant--This grant was being processed by OEO's Kansas City Regional Office. Final approval had not been made as of August 11, 1971.

Migrant Education and Rehabilitation Program \$ 49,500

Purpose of grant--To teach the migrants how to deal with other Government agencies to obtain funds for their programs.

Status of grant--This grant was being processed by OEO's Migrant Division in Washington, D.C. Final approval had not been made as of August 11, 1971.